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A SYSTEM OF ECONOMY AND PROFIT

A. Zverev

The most important sources of revenue in the socialist economy are turnover taxes and deductions from profits. Of the total State revenue of 429.2 billion rubles for 1948, turnover taxes constitute 280.6 billion rubles and deductions from profits 23.9 billion rubles. This represents a total increase of 42.3 billion rubles as compared with 1947 revenues from these sources, bringing their proportion in the budget from 68.1 percent up to 71 percent.

This increased revenue will be made possible by the increased profitability of industry. The factors which made 1947 a profitable year were: stabilization of the ruble, increased production and turnover of goods, reduction of operating costs and increased productivity of labor which was 13 percent higher than for 1946.

The Postwar Five-Year Plan envisages profits as the major stimulus to the growth of production and lowering of net costs. Illustrative of the economic effect of lowered costs on a national scale is the fact that a one percent reduction of net cost in 1947 resulted in a saving of 1.8 billion rubles to the Union and Republic enterprises.

In 1947 the enterprises of the Ministry of Petroleum Industry of Eastern Regions, the Ministry of Petroleum Industry of Southern and Western Regions, and the Ministry of Rubber Industry began to operate profitably.

The First State Bearing Plant named L. M. Kaganovich set example in cutting costs. Whereas this enterprise plan called for cost reduction of 2.4 percent in the first quarter, 4.5 percent in the second, 5.0 percent in the third and 5.5 percent in the fourth, the enterprise achieved reductions of 4.7 percent, 12.1 percent, 17.4 percent and 18.5 percent in these quarters respectively.

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The State creates all the conditions necessary for the profitable operation of the branches of the national economy. The price system and the levying of taxes have this objective in view. During 1947 the selling prices of a number of goods were raised and the scales on turnover taxes lowered. Discounts for trade and market organizations were reviewed and budget mark-ups were abolished in connection with the introduction of uniform prices.

Because of the elimination of returns from commercial trade in the asset side of the 1948 State budget, it is vital that State and cooperative enterprises exactly fulfill their obligations under the credit system.

In 1947 many enterprises of the Ministry of Textile Industry, the Ministry of Timber Industry and the Ministry of Fish Industry of Eastern Regions did not fulfill production plans and were behind on payment of large sums of turnover taxes. Many shortages in payment still exist.

The problem of speeding the turnover of goods and monetary resources is inseparably involved with the stabilization of credit and payment discipline. Arrears in indebtedness to the State Bank on loans, and nonpayment to suppliers exists on a large scale. One of the basic reasons for this is the accumulation by enterprises of surplus and unnecessary stock.

The turnover problem will be especially acute during 1948. Demands on commercial enterprises are greatly increased. Clumsiness and inflexibility in the operation of separate links in the commercial chain are resulting in the delay of the goods in reaching the consumer.

The quality of goods must be raised. Poor quality goods result in backlogs of stock, which leads to tying-up of materials and funds.

Great possibilities for economizing exist in new building and reconstruction works. In 1948 the State budget allocates 60.9 billion rubles to finance building and reconstruction, which is 9.8 billion rubles more than the amount allocated in 1947. The problem consists of increasing to a considerable extent the effectiveness of the investments in construction and lowering construction costs. In 1947 many construction organizations, instead of lowering, raised the cost of construction works. This must be prevented in 1948.

In most cases, the increased cost of construction was caused by the high cost of materials in the subsidiary enterprises of construction organizations, overexpenditures in wages and high overhead costs. Because of difficulties in obtaining materials during the war, construction organizations formed numerous subsidiary enterprises of their own, often poorly equipped technically. This is reflected in the cost of the products put out by these organizations. Many construction organizations permit materials to accumulate. Sometimes materials lie unused for years, resulting in the tying-up or misappropriation of State funds.

Vital to the system of economy is the cutting down on excessive staffing and subdividing of administrative organs, systematically lowering administrative-economic expenses and reduction of personnel to release manpower for production.

The meaning of such concepts as profitability, net cost, financing and budgeting of an enterprise, turnover tax, deductions from profits, etc., should be clear to all economic and Party workers.

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